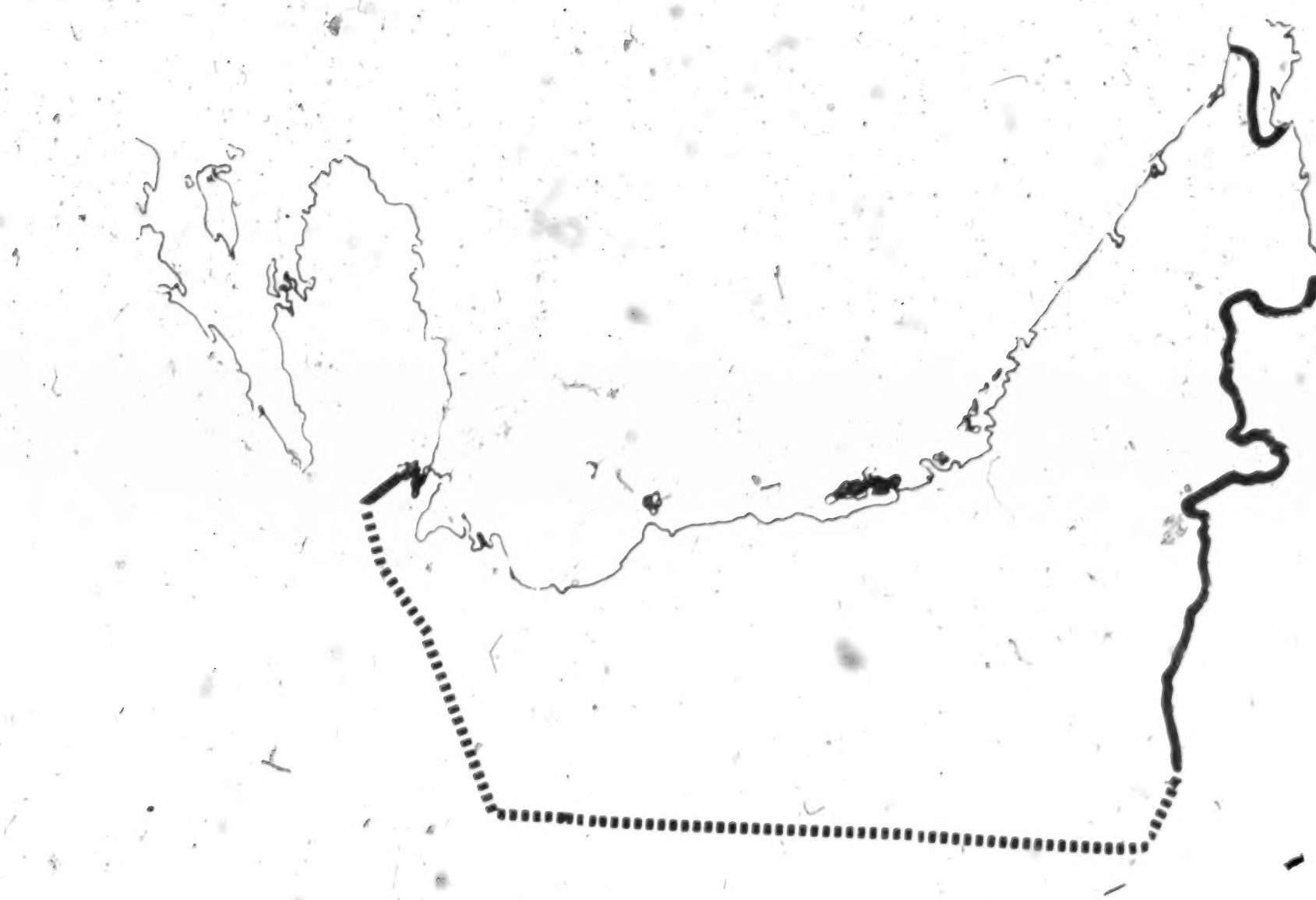
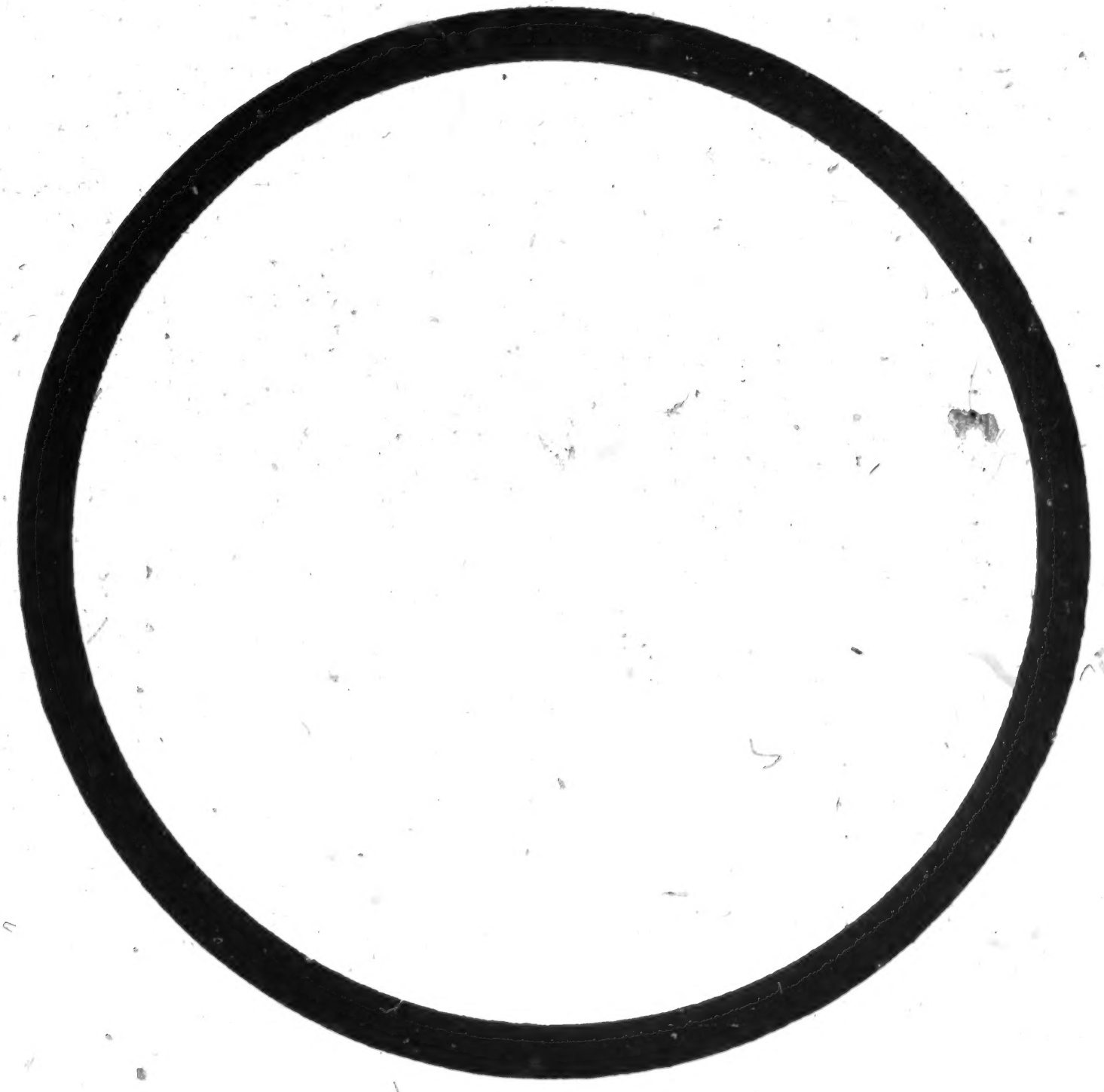
ABU DHABI FUND FOR ARAB ECONOMIC DEVELOPMENT



FIRST ANNUAL REPORT 1974-1975

ABU DHABI FUND FOR ARAB ECONOMIC DEVELOPMENT



FIRST ANNUAL REPORT 1974-1975

"In the Name of God
The All-Merciful, the All-Compassionate".

H H Sheikh Zayed bin Sultan Al- Nahayan,

the President of the United Arab Emirates and Ruler of Abu Dhabi

H.H. Sheikh Khalifa bin Zayed,

Crown Prince and Chairman of the Board of Directors of the Fund

ABU DHABI FOR ARAB ECONOMIC DEVELOPMENT

Board of Directors

–**H.H. Sheikh Khalifa bin Zayed Al-Nahayan,** Crown Prince, Deputy Prime Minister and Chairman of the Executive Board.	*CHAIRMAN*
–**Sheikh Surour bin Mohammed Al-Nahayan** Chief of Cabinet of H.H. the Ruler of Abu Dhabi	*DEPUTY CHAIRMAN*
–**Sheikh Tahnoun bin Mohammed Al-Nahayan** Ruler's Representative for the Eastern Region	
–**H.E. Ahmed Khalifa Al-Suweidi** Minister of Foreign Affairs.	*MEMBERS OF*
–**H.E. Khalaf bin Ahmed Al-Itaiba**	*THE BOARD*
–**H.E. Manae bin Saeid Al-Itaiba** Minister of Petroleum and Mineral Resources	
–**H.E. Mohammed Al-Habroush** Minister of State for Industry and Finance	
–**Dr. Hassan Abbas Zaki** Advisor to H.H. the Ruler of Abu Dhabi	

Executive Organ

–**Dr. Hassan Abbas Zaki**
Member of the Board of Directors and Managing Director of the Fund.

–**Mr. Nasser Al-Noweiss,**
Deputy Managing Director of the Fund.

Partial view of a meeting of the Board under the Chairmanship of H H Sheikh Khalifa Bin Zayed

An Introductory Message

from

Sheikh Surbur bin. Mohamed Al- Nahayan

Deputy Chairman of the Board of Directors

The establishment of the Abu Dhabi Fund for Arab Economic Development stems basically from a genuine and profound belief in offereing a helping hand to other Arab Countries. This feeling originates of two motives; first our strong belief in our Islamic religion, and secondly our long and hard experience with poverty and austerity, also our realization of the hardships and suffering involved.

During the past two to three years, states of the developing world have found themselves caught in an economic vise, as prices of exportable raw materials have continued to decline yet charges for imported technology has risen with world wide inflation.

Adding to the distress has been the continuingly insufficient levels of foreign capitals available for investment in these developing countries, where the gap in means to expand young economies and keep pace with the needs of various peoples creates unneccessary stress and suffering.

But with steady income from oil revenues, the arab world have begun a significant effort to replace disappearing capital needed for national development projects. The fund believes that there remains an immense task to be accomplished to bring nations of the developing world to aspired levels of development. However, the prevailing economic hardships are blocking the path and hampering all efforts toward achieving any economic, social, political and cultural progress in these areas.

Thus we felt ourselves duty-bound to share a large proportion of our income with other countries of the Arab world, in need of development funds, a move that earned us the esteem and goodwill of all the Arab world. Now the fund has ceased to be exclusively Arab in its field of operations. It was authorized in 1974 to offer aid also to african, Asian and Islamic countries. Aided by the fund's efforts and other regional development funds, the developing world can, with careful planning and prudent commitment, help itself to reach development levels so desperately needed.

As the fifth year of the life of our Fund draws to a close, we feel proud of our role in strengthening and supplementing regional and international efforts towards a more equitable sharing of world resources.

Indeed our record is impressive, and if the past five years are any indication of how our Fund has fared in striving to achieve these levels of developments, we could anticipate the future with great confidence and optimism.

The clock and the bridge two landmarks of Abu Dhabi

His Highness Sheikh Khalifa Bin Zayed
Chairman of the Board of Directors
Abu Dhabi Fund for Arab Economic Development
Abu Dhabi–U.A.E.

Letter of Transmittal to the Board of Directors

H.H. The Chairman, of the Board,

In accordance with article 8 of the Abu Dhabi Fund for Arab Economic Development's internal regulations, I have the honour to present to the Board of Directors the first Annual Report for the fiscal year 1974-1975.

Yours sincerely,

Managing Director

Dr. Hassan Abbas Zaki

H.H The Chairman of the Board of Directors
Abu Dhabi Fund for Arab Economic Development

BASIC INFORMATION ABOUT THE FUND

Founded	: July 1971
Original Authorized Capital	: 2000 Million Emirates dirhams (approximately US$ 500 million)
Capital Expended	: 580 Million Emirates dirhams (approximately US$ 145 million)
Objectives	: To assist Arab, African and Asian nations in developing their economies through loans, participation in capital investment development projects, and provision of technical assistance for exploratory studies and other technical investment endeavors.
Loans Granted During 1975	: Thirteen loans totaling 407.7 Million Emirates dirhams (approximately US$ 102 million).

Address

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CHAPTER ONE

THE PROLOGUE

The Abu Dhabi Fund for Arab Economic Development came into being July 15, 1971, with implementation of Law No. (3) 1971, which established the Fund as a public institution possessing independent legal standing.

The main purpose of the Fund (as stated in Article II of the enabling legislation) is "to offer economic aid to Arab countries, in the form of loans or guarantees, or direct participation in projects."

The Fund's original authorized capital was established at the equivalent of 500 million U.A.E. dirhams (approximately US$ 125 million), to be input totally by the Government of Abu Dhabi. For the purpose of balancing any financial deficits, the Fund was authorized to make additional loans, enter into overdraft arrangements, or issue bonds for values not exceeding double its net capital plus reserves.

During its first year, all Fund organizational structures were established; administrative, financial and operational rules and provisions were formulated, regulated and implemented. Wording of loan, guarantee and withdrawal documents was established, so as to ensure availability of explicitly detailed provisions and terms for the Fund's participation in various development projects. Procedures and terms for applications and disbursement of Fund loans also were established. Full staffing was completed for its technical operations division.

Following completion of these preliminary activities, the Fund in early 1973 began to accept requests from various Arab nations for loans to finance local development projects. Fund missions were dispatched to prepare exploratory studies of proposed projects through examination within the nations concerned. As a result, the first loan agreement between the Fund and an Arab nation was signed during 1974.

The Fund has maintained from the start a clear policy in regard to lending and participation activities, based upon the following principles:

- Nondiscrimination among nations requesting loans in regard to terms applied to the various projects;
- Nonprejudicial treatment of various sectors or projects over others (except for priorities assigned in the development programs or plans of the nation concerned), in order to achieve the best standard of economic development;
- Facilitation of lending in regard to interest rates and liberal repayment periods, plus establishment of a reasonable grace period for loan repayment;
- Participation in capital improvement projects offering suitable trade benefits, especially inasmuch as such participation results in considerable encouragement and incentive for involvement of individuals and institutions;
- The vital importance and value of projects to the economies and commercial sectors of nations benefiting;
- A special emphais on coordination of and participation in financing of relatively large-scale projects (especially in cooperation with regional and international financial institutions), in order to guarantee such projects' success.

In july 1974, the Fund area of operations ceased to be exclusively Arab. It was authorized under provisions of Law No. (7) 1974 to offer aid in addition to African, Asian and other Islamic nations; its original authorized capital was increased from 500 million dirhams to 2000 million dirhams.

Of outstanding interest during the Fund's early period of maturation was its beneficial use of previous experience by other well-established development institutions, especially the Kuwaiti Fund for Arab Economic Development and the Arab Fund for Economic and Social Development. Since its inception, the Fund has continued to carry forward (especially at the start of 1974) a policy of strengthening and increasing all cooperative efforts with other national and international financial institutions in the development field.

CHAPTER TWO

WORLD ECONOMIC DEVELOPMENTS AND DEVELOPMENT FINANCES IN THE ARAB WORLD AND DEVELOPING COUNTRIES

During the first half of this decade, the world economy experienced one of the worst and most dangerous economic cycles since the Depression of 1929. As the cycle entered its recovery period in 1972, the upward pace accelerated, peaking in mid-1973. At the beginning of 1974, inflationary pressures started to affect prices adversely, forcing monetary and financial authorities to implement severe monetary and financial measures to bring the upswing under control. This was especially true in the (less developed) countries most affected by such inflationary waves. Brakes thus applied far exceeded the dampening effect intended, however. Consequently, the recovery period was reversed, creating a recessionary period and state of stagnation worldwide that spread with varying intensity throughout most of the industrial nations during 1975.

In reviewing price trends in the Gross National Product (GNP) of various countries, it becomes quite apparent that while the average increase in prices in these industrial nations rose from 7 percent in 1973 to 12 percent in 1974 and 10.5 percent in 1975, average growth in GNP decreased (in actual terms) from 6.2 percent in 1973 to 0.2 percent in 1974 and 2.1 percent in 1975.

In the developing countries, average price increases rose from 14 percent in 1972 to 22 percent in 1973 and 32 percent in 1974. In 1975, prices rose 27 percent; all the while, many developing countries failed to achieve satisfactory growth in real income.

Also during this period (especially in 1974 and 1975), there were severe fluctuations in the prices of raw materials. Besides there being a serious shortage in fertilizers and food grains in world markets, a drastic increase in crude oil prices (the most serious effect) occurred during this period. Within the past three years, the oil producting countries embarked upon a successful program to regain their sovereignty over oil resources, liberating them from control by international oil cartels which for many years had imposed artificially depressed crude prices.

Two significant problems currently face raw material producing developing nations.

First, a seriously inflated deficit in balance of payments has developed. The total deficit trade balance in these countries rose from US$ 9 billion in 1973 to US$ 28 billion in 1974, and US$ 35 billion in 1975. This was due largely to the decrease in export prices of many raw materials (the sole export goods in these nations), following a short period of sharp increase during 1974. At the same time, the prices of many imported manufactured goods (plus certain raw materials) – in all, two-thirds of all imports to these developing countries – continued to increase. The result was a deterioration of balances of trade, and a decline in purchasing power of developing countries' import revenues of an average 13 percent in 1975 (accompanied by a concurrent decline in actual revenues).

Secondly, there have remained insufficient available foreign finances for needed development. It is estimated that in order to achieve a 6 percent growth in real GNP each year through 1980, the developing countries will require annual financial aid averaging 0.81 percent of the combined GNP of all nations on the Developing Aid Committee of the Organization of Economic Cooperation and Development.

However, it is considered most improbable that the developing countries will receive this amount of official aid. In fact, there was a decrease in the total amount of aid already received from the member nations of the Development Assistance Committee, from 0.51 percent of combined GNP in 1963 to 0.33 percent in 1974. It is estimated that this decrease will reach 0.24 percent by the year 1980.

Consequently, developing countries are suffering presently from a pressing need for the greatest possible amount of foreign aid. This is especially so because most of these countries have absorbed their aid appropriations, originally allocated to service their public debts to finance instead the increased deficit in current operational balances. Furthermore, most of these countries have been forced to use even parts of their international reserves for such balancing.

Members of the Organization of Petroleum Exporting Countries (OPEC) have played a very effective role in contributing financial aid to developing countries, using their substantial oil resources. Accoringly, the total value of aid appropriated by OPEC nations for contribution to developing countries and international institutions rose from US$ 3 billion in 1973 to US$ 16 billion in 1974. Actual payments also increased from US$ 1 billion in 1973 to US$ 8 billion in 1974 and US$ 10 billion in 1975 (i.e., at a rate of 12 percent and 28.5 percent of total surpluses in current operations balances for the years 1974 and 1975, respectively). Arab oil exporting countries' contributions to these financial aid efforts ranged between 10 percent and 20 percent of the GNP of each country receiving funds.

Due to a considerable decrease in total revenue surpluses in the oil exporting countries (from US$ 67 billion in 1974 to US$ 35 billion in 1975, a drop projected to continue through the next five years), it is deemed necessary to establish an effective international cooperation to regulate the flow of financial aid among the countries of the world (either for development, or to finance deficits in current operational balances). This is especially true inasmuch as some of the OPEC countries have embarked on local development programs that could absorb all their surplus revenues.

In fact, the oil producing countries represent a group of developing nations whose economies depend primarily upon producing and exporting but one raw material: oil. By this token, these countries still are in an early stage of development, and lack most of the vital elements required for the potentially self-sustaining economy ("take-off"), which requires a production structure founded upon a number of evenly balanced economic sectors.

It also could be said that even the OPEC group of countries 'lack many basic structural development patterns, and themselves are in desperate need of development investments--and all the financing that come with them.

Today, the Arab oil producing countries undoubtedly are in dire need of planning a strategy capable of determining the various alternatives and options for all investment opportunities, both national and international. This will enable these countries eventually to use available financial liquidity in the best possible way. The most suitable such strategy, in our opinion, is use of development funds to form the economic base necessary to achieve spontaneous growth, while also resulting in mutual benefit for both borrower and lender in the international investment arena.

Today, Arab institutions specialized in development financing on local, regional, and international levels are numerous. Besides the Kuwaiti Fund for Arab Development, the Abu Dhabi Fund for Arab Economic Development, was the second to be formed in this field Next came the Arab Fund for Social and Economic Development (the first Arab joint institution for financing regional development), aimed at providing finances necessary for interdependent Arab eco-

nomic projects. Following was the Saudi Development Fund, which already is in operation in some Arab and African countries. The Iraqui Development Fund also has been created, plus various development financing institutions in other Arab nations.

On the international scene, the Arab-African Development Fund was established to finance development projects in African countries, and an Islamic Development Bank was formed to finance development in Moslem countries. Also noteworthy is the Development Fund for Non-Aligned Countries.

It is conspicuously clear that all these funds reflect the keen and genuine interest in rich Arab countries to push the development wheel forward, not only in other Arab countries, but in friendly African and Asian nations, as well. However, since the development needs in the developing countries exceed the total financing capacity of all these institutions and funds, the various Arab development funds realized the continuing need for coordination and cooperation amongst themselves. Periodic meetings have been held for this reason, and it is hoped that such efforts will result in creation of a common frame of reference for financing development projects. This would establish a standard set of priorities that would reflect the most urgent and vital needs of the countries concerned.

One important aspect behind creation of development financing institutions is a genuine desire to direct development aid toward investment fields that will bring about true growth in the economies of developing countries. Therefore, any unreasonable acceleration in financing of projects before definitive ascertainment of such projects' economic benefits and usefulness (first to the national economy as a whole, then to individual projects and sectors) constitutes a serious threat of increased economic waste of rare potential energy, plus a threat of dispersion of efforts originally devoted to expediting the development course.

It is noteworthy in this regard that (human development) is the real gateway for the entire development process. Human investment will benefit every other investment, because the human being is the most creative element of the production process. Consequently, great emphasis and priority must be assigned to the task of preparing qualified technical cadres (over other types of development activities). To achieve this end, there exists a persistent need for creation of an Arab institution specialized in developing and improving technical and professional expertise in the Arab World. Included in the design of such an institution's activities should be its participation – with the rest of the Third World and advanced nations – in solving energy and raw materials problems, and in reforming the international monetary system, in addition of its development-training mission.

It should be noted that the Abu Dhabi Fund has not spared any effort in participating in studies of all these problems and proposing solutions, to the extent of presenting them at various international conferences and meetings in an attempt to play an effective role in creating a new world, blessed with peace and stability and in which the spirit of constructive human cooperation prevails.

CHAPTER THREE

LOANS AND PARTICIPATION ACTIVITIES 1974-1975

The year 1974 witnessed the signing of the Fund's first loan agreement with an Arab country; later that same year, other agreements to finance various projects were concluded with more Arab states.

The real acceleration in Fund activities occurred immediately following enactment of Law No. (7) 1974, which provided for increasing the original authorized capital to 2000 million dirham. With full regard for the principles set forth in the provisions of that law, the Fund's scope of activities was enlarged to include provision of economic aid to other Arab, African, Asian, and Islamic countries, in the form of loans and participation in projects (in order to strenthen and solidify these countries' economic development). Thus, the Abu Dhabi Fund for Arab Economic Development is considered a true example of strengthening friendly relations among the United Arab Emirates and its friends in the rest of the Arab, African, Asian and Islamic countries. The Fund is viewed as a significant means of supporting economic development in these countries, and of helping them to obtain sufficient finances with the best possible interest rates, repayment periods, and grace periods, depending upon the individual projects.

During the period ending December 1975, agreements were concluded to finance 13 projects, with Fund contributions set at 407.7 million dirhams, of which 11 million were in the form of contributions in capital to a tourism project, and the rest in the forms of loans. These included:

- a project in the agricultural sector of the Yemen Arab Republic (Fund contribution: 40 million dirhams);
- three projects in the diversified industries sector, two in the Republic of Tunis and one in Egypt Arab Republic (Fund contribution: 52 million dirhams);
- four projects in the water and electricity sector, one in each of the State of Bahrain, Syrian Arab Republic, Egypt Arab Republic, and Yemen Arab Republic (Fund contribution: 226 million dirhams);
- two projects in construction in the Kingdom of Jordan (Fund contribution: 26.5 million dirhams;)
- two projects in the hotel sector, one each in the Republic of Tunis and in Egypt Arab Republic (Fund contribution: 49.7 million dirhams);
- one project in transportation in the Republic of Tunis (Fund contribution :13.5 million dirhams).

Departing from the traditional practices pursued by other development funds, the Abu Dhabi Fund for Arab Economic Development embarked in 1974 on its first venture of participation in a project's capital, currently known as the Northern Sousa Tourism and Land Project. The Fund's participation is 11 million dirhams, or 24.5 percent of the project's original capital.

Other feasibility and exploratory studies of projects in various Arab, African, and Asian countries were completed, while final arrangements are underway currently to conclude financial terms within 1976. Also, it has been decided to send missions to various nations in which the Fund is operating, in order to study proposed projects through 1976.

During 1975, the Abu Dhabi Fund for Arab Economic Development gave two primary grants as technical assistance to the State of Bahrain and the Yemen Arab Republic.

The first of these grants was for 340,000 dirhams to complete an industrial survey of development opportunities in small business in the State of Bahrain. The second grant was for 300,000 dirhams (nearly 20,000 dirhams already paid) to finance technical studies for the development of Wadi Siham and Wadi Saadah in the Yemen Arab Republic.

Other grants were made as technical assistance in the form of experts and advisers dispatched to the following countries, to evaluate a number of various projects: Syria, Mauritania, Guinea, Zaire, Bangladesh, and Malta. The total value of these projects exceeds 130,000 dirhams.

The Fund already has concluded other agreements to provide loans for financing various projects. Following is a summary presentation of these projects.

CHAPTER FOUR

THE LOANS

1 - THE HASHEMITE KINGDOM OF JORDAN

A. (King Talal's Dam)

Basic Loan Data:

Amount	21.5 million U.A.E. Dirhams.
Term	25th September 1974 to 31st July 1992.
Interests Rates	3 per cent per annum.
Repayment Terms	30 instalments paid semi-annual starting from 31st January, 1978
Grace Period	$3\frac{1}{2}$ years.
Date of Agreement	25th September, 1974.

The dam involved in this project will be built on the al-Zarqua River at the al-Ramenein Site in the Hashemite Kingdom of Jordan, and is intended for agricultural development in the river basin, which was interrupted because of the Arab-Israeli wars. Upon completion of the project, water could be stored behind the dam and controlled through its flood gates to benefit regular agriculture in the region and provide water resources for reclamation and use of 48,000 donum of arid land. This could result in increasing agricultural production by 38 million dirhams per annum (three million Jordanian dinars). The disparity in water levels on either side of dam also could be used to generate hydroelectric power at some time in the future.

The average height of the dam is 92 meters, with a width of 330 meters; it has a discharge capacity of 86 million cubic meters of water annually (it is capable of retaining 55 million cubic meters of water). The total volume of construction work on the dam project reaches nearly 600,000 cubic meters of excavation; filling operations exceed 4,200,000 cubic meters; cement and concrete work amount to as much as 1100 cubic meters.

King Talal's Dam project is estimated to cost a total of 110 million dirhams (nine million Jordanian dinars). The Jordanian Government started work on the project in May, 1972, but was faced with serious shortage of finances in 1973 as a result of sharp increases in project costs. The Abu Dhabi Fund stepped forward and filled the gap by contributing a loan for 21.5 million dirhams. Previously, the Kuwaiti Development Fund had contributed a loan.

Work on the project proceeds at a rapid pace, with digging operations nearly completed. Nearly two-thirds of the filling and three fifths of the concrete work are concluded. It is estimated that the project will be completed by 1977.

THE HASHEMITE KINGDOM OF JORDAN

B. Al-Azrak--Al-Hodoud Road

Basic Loan Data:

Amount.	5 million dirhams.
Term	17th February, 1975--31st January, 1993
Interests Rates	3 per cent per annum.
Repayment Terms	30 instalments paid semi-annual beginning at 1st July, 1978
Grace Period	3½ years.
Date of Agreement	17th February, 1975

Work is already underway to construct and pave a road connecting the city of Al-Azrak, located in the mid-south of Jordan, with the Saudi-Jordanian joining borders, where it will merge with an extension of the Saudi road Tarif Al Gharban forming together a new road that would allow connecting the Gulf States and Saudi Arabia with both Syria and Lebanon through Jordan, with a stretch of the same road reaching the State of Kuwait.

The real significance of the new road lies in the fact that it will save 600 Kilometers off the distance via the present road. The new road will extend for 56 Kilometers at a width of 17.5 meters with two shoulders with a width of 1.5 meters each. The project will require basic side construction work of 700,000 cubic meters and 200,000 cubic meters of double foundation levels. It's Betomenic spread is 421 square meters while the concrete and cement work is estimated at nearly 6,500 cubic meters.

Total cost of the project is estimated at 15 million dirhams (1.2 Jordanian dinars). The Abu-Dhabi Fund for Arab Economic Development contributed a loan of 5 million dirhams. Work on the project started at the end of 1974 and is scheduled to be completed at the summer of 1976.

4 - SYRIAN ARAB REPUBLIC

Electrical Coordination Centers

Basic Loan Data:

Amount	52 million U.A.E. dirhams.
Term	24th September 1974 to 30th September 1993.
Interests Rates	4½ per cent per annum.
Repayment Terms	30 instalments, paid semi-annual beginning 31st March, 1979.
Grace Period	4½ years.
Date of Agreement	24th September, 1974.

This project is part of an integrated plan to increase electrical power, facilitate its transmission and improve distribution efficiency. Besides establishing the Coordination Centers, the plan includes a principal power station, switches and transmission lines.

The combined units of the Electrical Coordination Centers direct and control power distribution to the various points where electricity is needed. It will guarantee satisfying needs at each consumption point, will secure the uninterrupted flow of electricity to consumers, make best use of power stations and transmission nets, and ensure quickest possible restoration of power in the event of sudden outages.

Two principal Centers are to be provided: one at Damascus (the main station) and one at Aleppo (the reserve station). Also included are regional Centers in Damascus, Aleppo and Homah. These regional Centers will be equipped with special devices capable of transmitting and receiving various instructions and measurements over long distances, other apparatus which can analyze and sort data, and a computer system.

It is estimated that total costs of this project will be 65 million U.A.E. dirhams (US$ 16.3 million), of which the Fund has provided 52 million dirhams in the form of a loan to the Syrian Government. The authority in charge of the project is preparing designs and soliciting bids for the project, which is scheduled for completion by the end of 1976.

2 - THE STATE OF BAHRAIN

(Water and Electricity Project)

Basic Loan Data:

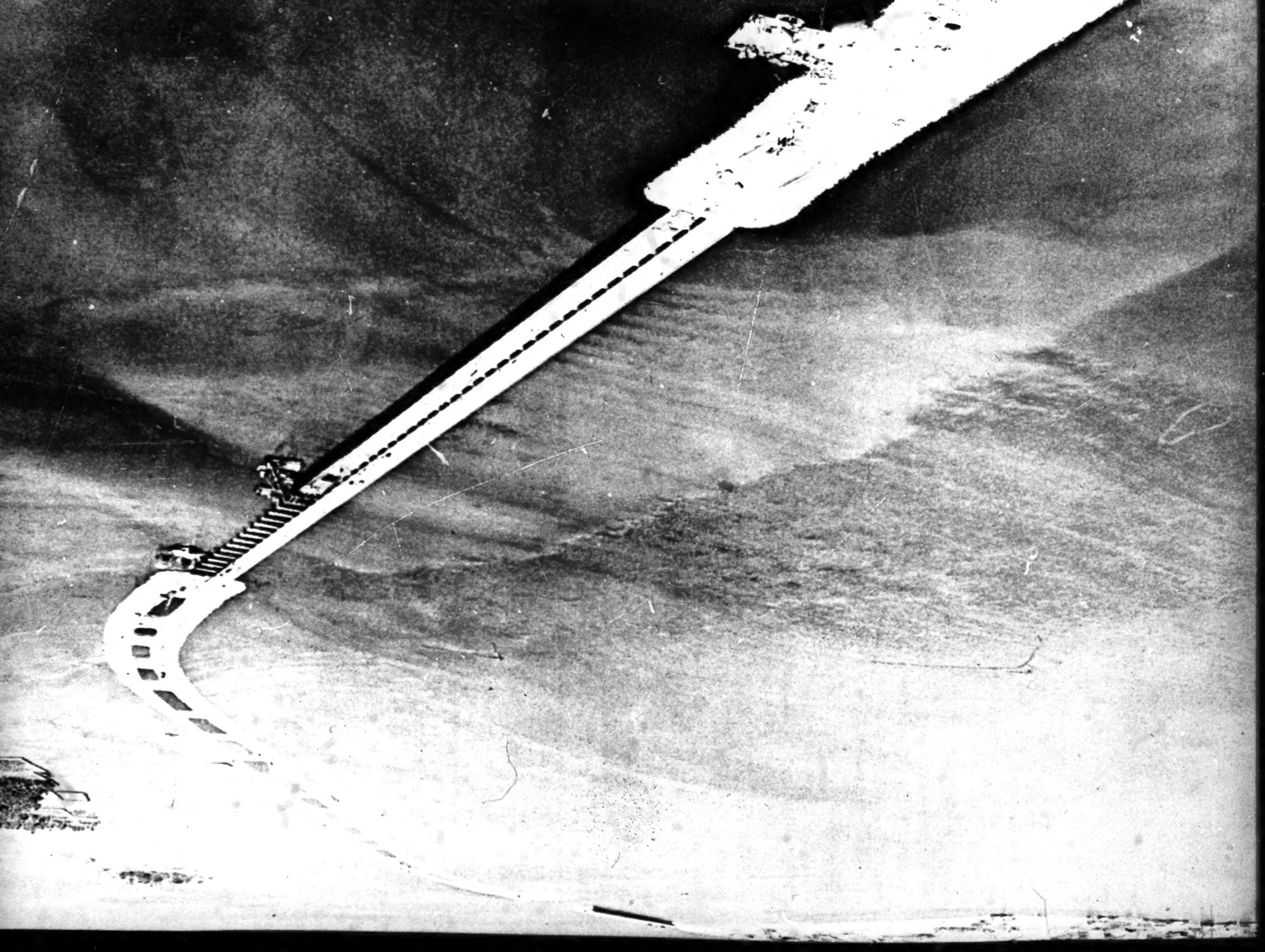
Amount	40 million U.A.E. Dirhams.
Term	27th November, 1974 to 1st January, 1991.
Interests Rates	3.5 per cent per annum.
Repayment Terms	30 instalments paid semi-annual starting 1st July, 1976.
Grace Period	1½ years
Date of Agreement	27th November, 1974.

The island of "Sutrah" was selected as the site for an electric power station and a water desalination plant, in order to provide required power and potable water for Bahrain and to meet increasing consumption in both public utilities through 1980.

The project provides for establishment of two electrical power units with a capacity of 30 megawatts each, and two water desalination units at a capacity of 2.5 million gallons daily. Other needed services include power transmission by underground cables to the distribution center in Manamah, plus all the necessary switches, circuits, and other electrical equipments required for electrical power distribution.

As for the water, it will be pumped through steel pipes to three distribution points, one each in Al-Manamah, Sutrah, and Madinet Eissa. The project also calls for erection of a bridge connecting the Island of Sutrah with Al-Manamah, with electrical cables and water pipes mounted together alongside.

Total cost of the project is estimated at approximately 212 million U.A.E. dirhams (21 million Bahraini dinars). The Abu Dhabi Fund for Arab Economic Development contributed a loan of 40 million dirhams, and the Kuwaiti Economic Development Fund provided other monies for the project in the form of a loan. Initial work started in the second half of 1974, and was scheduled for completion at the end of 1975.



3 - TUNIS ARAB REPUBLIC

A. Northern Sousa Land and Tourism Project

Basic Loan Data

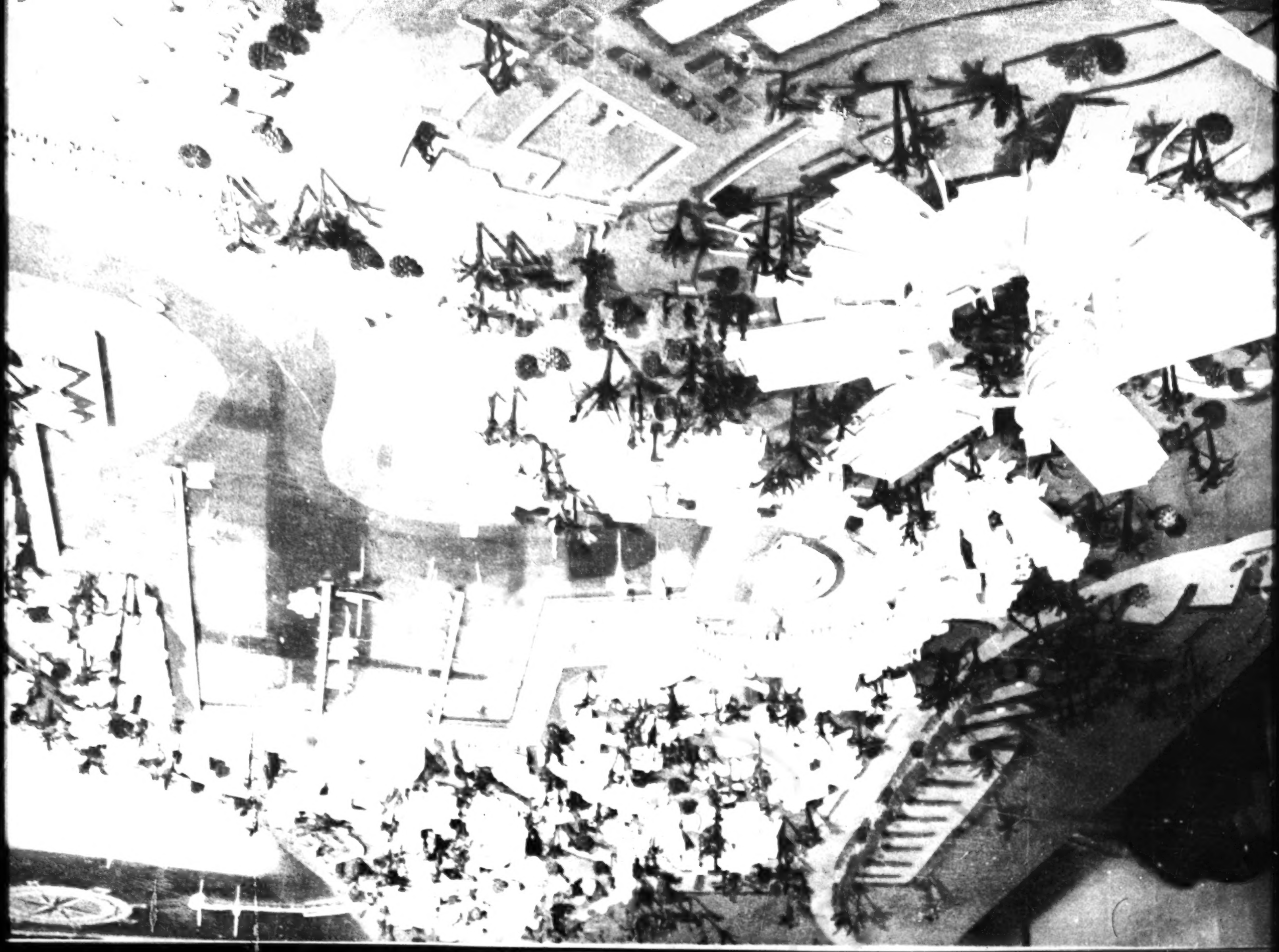
Amount	20.7 million U.A.E. Dirhams.
Term	18th December, 1974 to 30th October 1989.
Interests Rates	5 per cent per annum.
Repayment Terms	20 instalments paid semi-annual beginning 30th April, 1980.
Grace Period	Two years
Date of Agreement	18th December, 1974.

The project is considered of great importance to development of the tourist industry in Tunisia. It will occupy 270 hectars to the noth of the city of Sousa, and include a tourist hotel, plus a number of apartments and houses designed for sale to foreign investors. Also included is construction of a tourist marina for cruises, a golf course, parking lot and required public services such as roads, squares and parks. Work started on this project in mid-1975 and is scheduled to be completed by mid-1978.

For its part, the Tunisian Government (in a gesture to encourage success of this project) will provide clean potable water, electrical power, communications, and other basic publicl facilities.

A continuing special effort is being made by the (Company for Studies and Development of Northern Sousa), which is in charge of the project, to develop the area by offering the rest of the land for sale to hotel owners, provided that revenues from such sales are invested in construction of still more new houses and apartments of acceptable architectural designs.

The total costs of this project are estimated at 105 million U.A.E. dirhams. The (Company for Studies and Development of Northern Sousa) obtained a long range loan for 20.7 million U.A.E. dirhams, plus an 11 million U.A.E. dirhams participation in the project's original capital. Other contributors are the International Development Association, Arab-International Bank and other Tunisian institutions.



TUNIS ARAB REPUBLIC

B. Protein Supplement Factory

Basic Loan Data:

Amount	6 million U.A.E. Dirhams.
Term	31st December, 1974 to 31st July, 1988.
Interests Rates	5 per cent per annum.
Repayment Terms	20 instalments, paid semi-annual, beginning 31st Jan, 1979.
Grace Period	One year.
Date of Agreement	12th December, 1974.

This is one of the modern projects aimed at producing the phosphate pickalsick substance, a protein supplement which is known to be of great nutritious value when added to or mixed with animal fodder. The factory will be built near the Tunisian port of Gabis, on an area of one hectar. Its productive capacity is estimated at 60,000 tons per year designated for exporting.

Total costs of the project are estimated at nearly 16 million U.A.E. dirhams. Actual work on the project started at the end of 1975. In order to meet the financial requirements of the project, the Abu Dhabi Fund for Arab Economic Development concluded a loan agreement with the Tunisian Development Bank providing for a 6 million U.A.E. dirhams, long-range laon.

TUNIS ARAB REPUBLIC

C. Can Factory

Basic Loan Data:

Amount	6 million U.A.E. dirhams.
Term	31st December 1974 to 31st July 1987 .
Interests Rates	5 per cent per annum .
Repayment Terms	Twenty instalments, paid semi-annual beginning 31st January, 1978
Grace Period	3 years.
Date of Agreement	31st December, 1974.

The Tunisian Can Company was established in 1965 to produce cans from white tin to preserve fruits, vegetables, fish, olive oil, paints, insecticides, and various other suitable products. In view of its continued commercial growth, the company decided to increase present production capacity and to relocate the plant from its present location at Bardo to the new industrial area at Ben Aurse. Other improvements and expansion included addition of a new mechanical line to produce soft drinks, soda water cans and paint cans. The new line will combine four units, one produces round cans another for automatic press, the third for minting on tins, and the fourth for maintenance services. Also included are tool services and storage.

Total cost of the Can Factory project were estimated at 18 million U.A.E. dirhams. Initial work in the project started at the end of 1975; it is scheduled for completion after two full years (the end of 1977). The Abu Dhabi Fund for Arab Economic Development concluded a loan agreement with the Tunisian Development Bank for a 6 million U.A.E. dirhams long-range loan.

TUNIS ARAB REPUBLIC

D. Railway Passenger Cars

Basic Loan Data:

Amount	13.5 million U.A.E. Dirhams.
Term	18th December 1974 to 31st July 1989.
Interests Rates	3.5 per cent. per annum,
Repayment Terms	24 instalments, paid semi-annual beginning 31st January 1978.
Grace Period	3 years.
Date of Agreement	18th December, 1974.

The purpose of this project is to supply Tunisian Railways with 30 passenger cars, in order to provide needed support and impetus to the national railway transportation facility, considered the most vital sector in the Tunisian economy.

A contract for purchase of the railway passenger cars was concluded between the "Tunisian National Railway Company" and a Spanish Company. It provided for intermittent delivery of the cars, during 1976, for a total value of 24.8 million U.A.E. dirhams. Most of the cars contracted will operate on a metric railway. Out of the 30 cars, 8 are first class cars with a freight section, 17 are coaches and the other 5 operate on a regular railway. For this purpose, the Tunisian National Railway Company obtained a long-range loan of 13.5 million U.A.E. dirhams from the Abu Dhabi Fund for Arab Economic Development.

5 - EGYPT ARAB REPUBLIC

A. Construction of Omar al-Khayaam Hotel

Basic Loan Data:

Amount	18 million U.A.E. Dirhams.
Term	9th November 1974 to 31st January 1989.
Interests Rates	4 per cent per annum.
Repayment Terms	20 instalments, paid semi-annual, starting 31st July, 1979.
Grace Period	4¾ years.
Date of Agreement	9th November, 1974.

In the attractive and prestigious residential area of al-Zamalek in the capital city of Cairo, initial work already has begun on construction of the new Omar al-Khayaam Hotel. (The al-Zamalek neighborhood occupies an island in the River Nile connected to the mainland by a a network of bridges).

The new 700 room hotel will contribute to support of tourism in Cairo. In addition, an old historical palace on the island will be renovated, and a new casino will be built on one side of the garden surrounding the hotel. The total area allocated for the project is estimated at 15 hectares. Total cost of the project is about 120 million dirhams (US$ 30 million). The Fund's contribution is an 18 million dirhams loan, also participating in financing is the US Import-Export Bank. Initial work started in 1975; the new hotel is expected to open for business at the end of 1977.

EGYPT ARAB REPUBLIC

B. Talkha's Second Fertilizer Factory Project

Basic Loan Data:

Amount	40 million U.A.E. Dirhams.
Term	24th September 1974 to 31st July 1992.
Interests Rates	4 per cent per annum.
Repayment Terms	26 instalments, paid semi-annual
Grace Period	5 years.
Date of Agreement	24th September, 1974.

This second project for Talkha seeks a production capacity of 249,000 tons yearly of urea fertilizers, a level which will meet Egypt's needs for nitrogen fertilizers for several years in the future.

The addition of this second project alongside Talkha's first factory (which basically produces limed ammonium nitrate in amounts reaching 112,000 tons of nitrogen annually) would result in a chemical fertilizers complex in Talkha considered one of the most significant goals of the entire Egyptian-Five-Year Plan for 1973-1977. Both projects in Talkha depend on natural gas produced from abu-Madi's field north of the Nile delta.

The second project, which the Fund has supported, is situated on the Nile across from the city of al-Mansourah. Basically, the project consists of establishing a nitrate unit, two urea units, plus other service units, all together designed to produce 1200 tons of nitrate and 1725 tons of urea daily.

It is estimated that total cost will amount to 514 million dirhams (US$ 128.5 million). The Abu Dhabi Fund for Arab Economic Development contributed a loan of 40 million dirhams; other financial contributions have come from the Arab Fund for Social and Economic Development, the Kuwaiti Fund for Arab Economic Development, the Arab-Libyan External Bank, the Government of the State of Qatar, the International Development Association, and the Egyptian Government (represented by the al-Nasser Company for Fertilizers and Chemical Industries). Work had started already in 1974, and is scheduled for completion in early 1978.

Marriott

Marriott

EGYPT ARAB REPUBLIC

C. Electric Power Plant in Abu Keir

Basic Loan Data:

Amount	130 million U.A.E. Dirhams.
Term	4th January, 1975 to 15th November, 1995.
Interests Rates	3½ percent per annum.
Repayment Terms	30 instalments, paid semi-annual beginning 15th May, 1981.
Grace Period	6 years.
Date of Agreement	28th October, 1975.

The Egyptian unified electric power system combines a number of power stations operating on the water falls at both Aswan Dam (350 megawatt) and the High Dam (2100 megawatt) supplemented by other power stations located in the Delta and Upper Egypt.

Work is currently under way in the construction of four new power stations in the Northern part of Egypt with total capacity of 820 megawatt, aimed at covering end points of transmission and distribution nets where heavy consumption is centered, including Abu Keir plant (30 megawatt).

The real significance of Abu Keir plant, located at 30 Kilometers north of the city of Alexandria, lies in securing electric consumption for an industrial area that includes Alexandria, Al-Tabia and Abu Keir, where many factories are already operating while others are under construction.

The Abu Keir electric power plant combines two steam turbin power generators with maximum continuous capacity of 150 megawatt, plus two steam generators that use natural gas produced in Abu Madi field north of the delta, and two transmission units with 220,66 kilovolt capacity beside other supplementary transmissions and accessories. Included also in the project is an emergency generator with gas turbin with 23 megawatt capacity and other complementary equipment and civil work necessary for the plant.

The project cost is estimated at 740 million U.A.E. dirhams. The Abu Dhabi Fund for Arab Economic Development contributed a loan of 130 million dirhams. Other financial contributions have come from the Kuwaiti Fund for Arab Economic Development and a group of French companies and Banks. Agreements to provide necessary machines and equipments were concluded. Work in the project is scheduled for completion at the end of 1979.

6 - YEMEN ARAB REPUBLIC

A. Sanaa's water

Basic Loan Data:

Amount	4 million U.A.E. Dirhams.
Term	29th October, 1974 to 1st January, 1987.
Interests Rates	3.5 per cent per annum.
Repayment Terms	10 annual instalments, beginning 1st January, 1978.
Grace Period	$3\frac{1}{2}$ years.
Date of Agreement	29th October, 1974.

This project intends to provide potable water for the Yemen Arab Republic capital city of "Sanaa" in sufficient quantities. Called for are the sinking of many wells and installation of electric pumps therein; creation of an electric power station and connective cables to supply the well pumps with power; digging of a water reservoir to store waters produced from the wells, transported via an arterial network of canals; and, finally, creation of a veined pipe network branching from the reservoir to consumers, with a water pumping station to increase pressure to meet required levels.

Project cost is estimated at 26 million U.A.E. dirhams (US$ 6.6 million). The Fund contributed a 4 million U.A.E. dirhams loan; other institutions participating in the project include the International Bank for Reconstruction and Development, the United Nations Development Program, the World Health Organization, and the U.S. Government.

Currently, the project still is in the early stages of preparing technical details and specifications and solicitation of bids. It is scheduled for completion within two years.

YEMEN ARAB REPUBLIC

B. Rural Development of Southern Heights

Basic Loan Data:

Amount	40 million U.A.E. Dirhams.
Term	20th September 1975 to 31st March 1998.
Interests Rates	3 per cent per annum.
Repayment Terms	30 instalments, paid semi-annual beginning 30th September, 1983.
Grace Period	8 years.
Date of Agreement	10th October, 1975.

This project aims at increasing agricultural productivity of 50,000 hectars of land in both Taaz Province (15,000 hectars) and Aab Province (35,000 hectars). It also aims to increase standard of living for nearly 20,000 families of small farmers in the same area. Other features of the project include construction work and raising levels of 180 kilometers of roads, establishment of 90 rural units for potable water, improvement and enlargement of existing irrigation methods, preservation of valleys shoulders levels for 20 kilometers, and establishment of other shoulders levels for additional 25 kilometers. The project also provides for construction of an administrative building, warehouses and workers housing units. It also includes implementation of a short term agricultural credit financing system to help farmers obtain needed fertilizers, insecticides and seeds. It also aims at providing middle and long range credits for sinking of many wells, and building a green house and other similar agricultural services.

The project includes the development of a seed improvements system and plant protection, health protection measures in the area, and training farmers on the use of new equipments and systems.

It is estimated that the total cost will amount to 93 million dirhams (US$ 23.2) The Abu Dhabi Fund for Arab Economic Developments Contributed a loan of 40 million dirhams. Other contributors are the Government of Yemen and the International Development Association. It is estimated that the project will be completed at the second half od 1981.

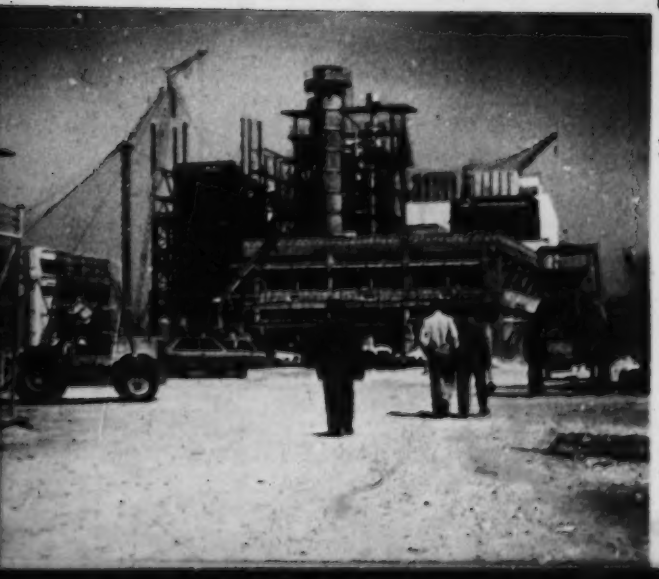
CHAPTER FIVE

TECHNICAL ASSISTANCE

The State of Bahrain

Industrial Survey,

The Abu Dhabi Fund for Arab Economic Development contributed a total of 240,000 U.A.E. dirhams, in the form of technical assistance to the State of Bahrain to perform an industrial survey to determine industrial potentials for small and medium industries. Both endeavours already are completed while preparations of technical, economical and financial studies by specialized consultant firms are presently underway.



YEMEN ARAB REPUBLIC

Study of Usefulness of Developing Siham and Saada Valleys

The Fund contributed a total of 30,000 U.A.E. dirhams in technical assistance to this project aimed at financing studies on the development of both Siham and Saada Valleys to determine the volume, quality and cost of required works and the economic usefulness of these two projects.

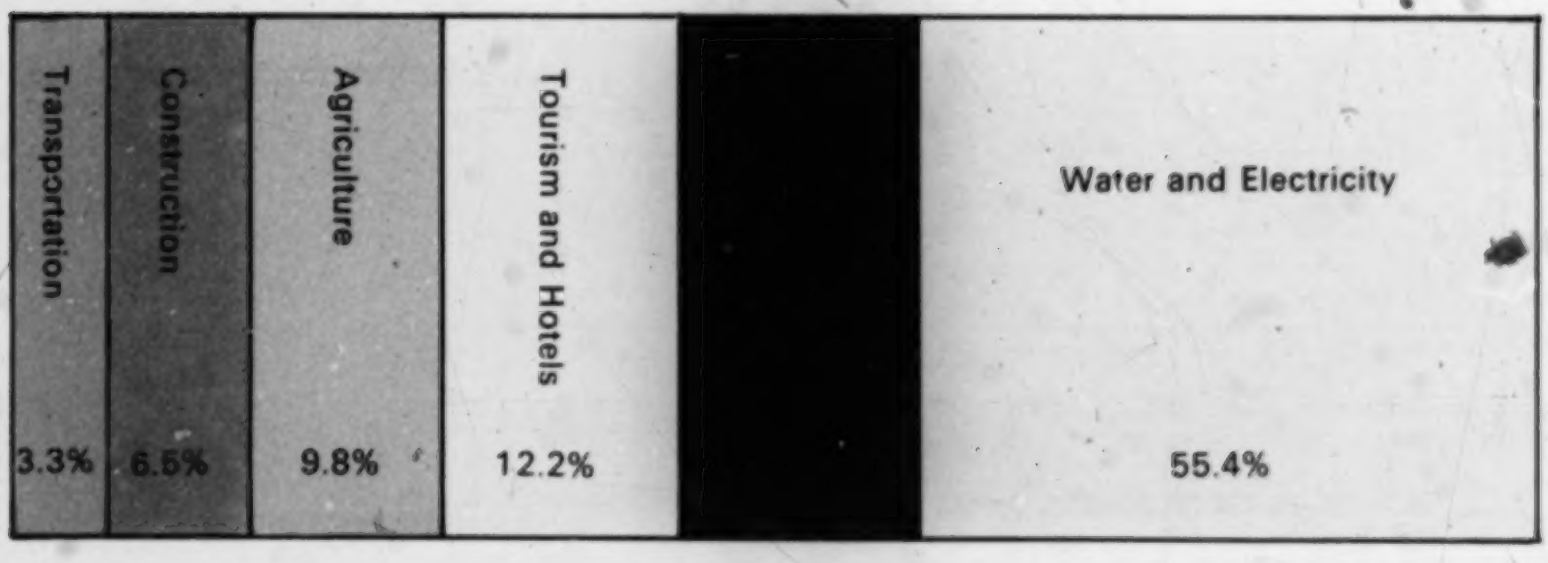
The Arab Organization for Agricultural Development has already concluded the first stage of the studies.

TABLE NO. 1

Sector Distribution of Loans and Contributions at the end of 1975*1

Sector	Number of Projects in Sector	U.A.E. dirhams in millions	Per cent
Agriculture	1	40	9.8
Diversified Industries	3	52	12.8
Water & Electricity	4	226	55.4
Construction	2	26.5	6.5
Tourism & Hotels	2	49.7*2	12.2
Transportation	1	13.5	3.3
Total	13	407.7	100

*1 All loan agreements till the end of 1975 were concluded with Arab countries.
**2 Of which 11 million dirhams in form of special participation.



Sectoral Distribution of Loans and Participations at 31st December 1975

CHAPTER SIX

ECONOMIC RESEARCH AND STUDY

The Abu Dhabi Fund for Arab Economic Development has placed a great emphasis on the need for research and study activities so as to provide the data necessary and information required to achieve its goals and fulfill its objectives.

A few representative activities include:

(1) Preparation of reports, research, and studies related to various economic aspects of Arab African, and Asian countries. This is aimed at providing required explanatory studies for evaluation of economic circumstances in developing nations applying for loans, and providing such information before any final determination of the Fund's decision on financing of proposed projects. The Fund also dispatches missions to these countries, thereby participating in preparation of various reports and studies.

(2) Study of international economic developments, considered of great importance to other countries of the world because of their vast impact on local and national economic situations also, follow-up via research and analysis of various aspects of the international monetary crisis, and preparation of studies suggesting proposed solutions for the international monetary system in reference to especially the oil exporting nations. (Undoubtedly, this topic is of great significance to oil exporting nations because of their balance of payments surpluses–a center topic of discussion taking place now at the various International Levels)

(3) Keeping abreast of oil and energy activities on both the Arab and international levels, and closely observing internal and external developments in those fields through preparing research studies and participating in various technical and scientific conferences.

(4) Issuing an economic bulletin that contains lengthy financial and economic research studies of great value and service to the Fund's purposes, and that benefits Fund staff plus other technical experts in the United Arab Emirates. Included in this publication will be studies on project evaluation, economic and financial structures in various Arab, African, and Asian countries, the international monetary crisis, and other subjects relating to both the Arab and developing worlds. Also to be published are periodic summaries of the financial and economic structures of the developing countries.

(5) Publishing an English monthly survey of recent developments in the money market, international monetary system, monetary developments, banking systems, international financing institutions, Middle East oil, and other general news extracted from periodicals regularly received at the Fund.

(6) Development of a nucleus professional library in the Fund that would secure subscriptions to all reports, periodicals, and technical publications issued either by national or International Monetary Fund, the International Bank for Reconstruction and Development, the IBRD's affiliated agencies – for example, the International Development association and the International Finance Corporation, the United Nations Agency for Industrial Development, and other specialized international agencies). Furthermore, the Fund will accommodate and collate as much data as possible, including analyses, literature, references and other information related to various financial and economic fields.

CHART OF THE ACTIVITIES OF THE RESEARCH DEPARTMENT

1

Economic and Financial Structure in Developing Recipient Countries

- Formula for Country Data Sheets — (English)
- Summarized Reports — (Arabic and English)
- Detailed Studies — (Arabic)
- Basic Data — (Arabic)

2

Financial & Economic Briefs

I Financial Markets
II International Monetary System
III Monetary Developments
IV International and Regional Organizations
V Oil and Middle East Review
VI Other News

Monthly Bulletin (English)

CHART OF THE ACTIVITIES OF THE RESEARCH DEPARTMENT

3

Economic Planning Studies in Developing Recipient Countries

- Summary — (Arabic)
- Charts and Arrow Schemes — (Arabic)
- Detailed Study — (Arabic)

4

Sectoral Studies

- Global Comprehensive Survey — (English)
- Specific Sector Studies in the Countries Concerned in Connection with Projects Approved — (Arabic)

CHART OF THE ACTIVITIES OF THE RESEARCH DEPARTMENT

5

World Economic Problems

- World Economic Outlook — (Arabic)
- International Monetary Reform — (Arabic and English)
- Futurology — (Arabic and English)

6

Prices of Raw Materials

- Commodity Major Trends
- Structural Changes
- Forecasting and Quantitative Testing by Linear Regression

English - Special Studies related mainly to Sectoral Studies

CHART OF THE ACTIVITIES OF THE RESEARCH DEPARTMENT

7

Regional Economic Co-operation and Prospects for Integration

- Bilateral Co-operation
  - Gulf States
  - Non Gulf States — (Arabic)
- Multinational Co-operation
  - Gulf States
  - Non Gulf States — (Arabic)

8

Oil and Arabic Investment Strategy

- Oil Studies
  - Production and Reserves — (Arabic)
- Oil Review and Future Prospects — (Arabic)
- Oil as a Source of Financing and Investment Strategy (To be related to Regional Economic Co-operation) — (Special Studies) (Arabic & English)

CHAPTER SEVEN

Financial Status at 31st December, 1975

At the end of 1975 the total Capital resources of the Abu Dhabi Fund for Arab Economic Development reached 651 million dirhams, compared to 604 million dirhams at the end of 1974.

Following is a concise review of development and usage of Fund Resources starting at the beginning of initial Fund activities from 1972 until the end of fiscal 1975.

First

Liabilities (In thousand dirhams)

	1975	1974	1973	1972
Paid Capital	580,000	580,000	80,000	80,000
General Reserve	67,462	22,253	3,527	1,781
Other Reserves	2,560	1,280	—	—
Allocations	716	380	165	206
Creditors	280	127	50	19
	615,018	604,040	83,742	82,006

Secondly

Assets (In thousand dirhams)

Cash Liquidity	1,850	250	651	243
Deposits	587,687	648,927	65,982	74,697
Stocks and Bonds	17,571	32,771	10,222	1,033
Loans	10,989	1,959	00	00
Debtors	32,921	20,133	6,887	6,033
	651,018	604,040	83,742	82,006

From the previous review the following statement and data could be extracted:

1) **Capital**.The paid capital of the Abu Dhabi Fund for Arab Economic Development at the end of fiscal 1975 reached 580 million dirhams or 29% of its authorized original capital of 2,000 million dirhams as stipulated in Law No.7 (1974). This sum was paid starting in 1971 through 1974 as follows:

20 million dirhams during 1971
60 million dirhams during 1972
500 million dirhams during 1974

2) **General Reserves.** The general reserves listed below represent the total annual surplus during the years of Fund activities according to article No. (23) of its internal regulations which provides for addition of net income to the reserves. To provide a comparative analysis of annual surplus we will explicate reserves for fiscal 1975 and compare it with previous years.

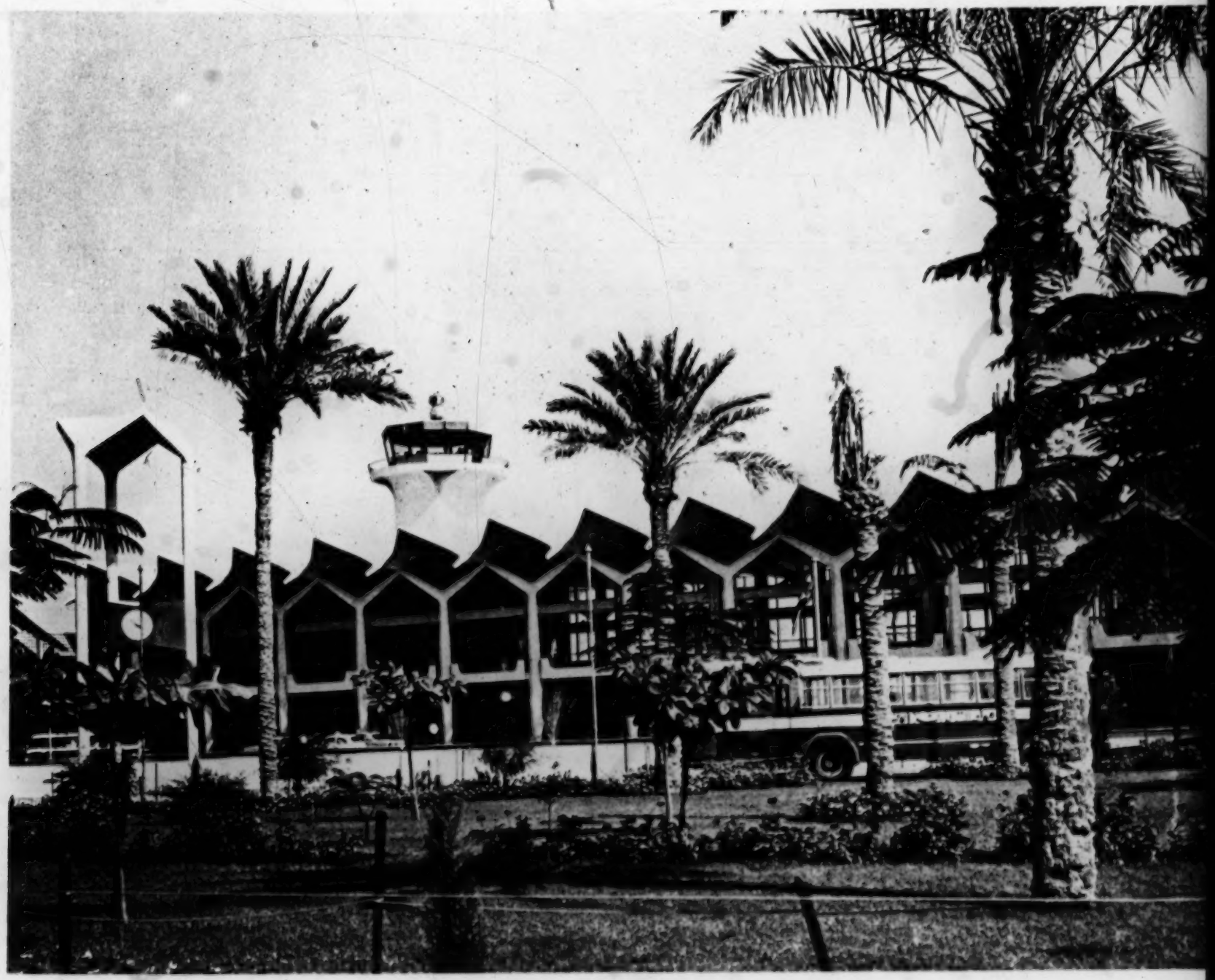
Item	1975	1974	1973	1972
	(In million dirhams)			
Surplus Revenues	46,087	17,351	4,317	1,849
Currency Exchange Difference	402	2,654	(2,722)	155
	46,489	20,005	1,596	1,694
Withheld Reserves	1,280	1,280	+ 150	150
Net Surplus	45,209	18,725	1,746	1,544
Surplus transferred from previous years	22,253	3,528	1,781	237
	67,462	22,353	3,527	1,781

During fiscal 1975, a significant development occured in the total annual surplus compared to previous years, in spite of the increase in loan withdrawals. This was basically due to increased invested funds in 1975, compared to other years, as a result of payment in 1974 of a big portion of the Fund's Capital.

3) **Loan Withdrawals**: As for loan withdrawals, the total loans approved at the end of 1975 reached 407.7 million dirhams (out of which 11 million dirhams were in the form of participation in a Tourist project). When compared to the funds thus approved, the actually withdrawn loans are considered quite small. Fund withdrawals reached 11 million dirhams or 2.7 per cent of total loans. This is due to the fact that borrowing countries were unable to proceed with their projects because of technical, administrative, and procedural reasons.

The Abu Dhabi Fund for Arab Economic Development has adopted a very thorough procedure for fund withdrawals aimed at supporting and strengthening economic developments in borrowing countries and eliminating adverse effects to inflated costs of completion of projects, which could represent an added burden on borrowing countries during various stages of projects execution.

The Abu Dhabi Fund for Arab Economic Development anticipates a considerable increase in total loan withdrawals during 1976 as borrowing nations proceed with execution of their respective projects.



ABU DHABI FOR ARAB

Balance Sheet at

Dirhams	Dirhams		1974
	1849490	Cash in Fund and Banks	250147
	587686637	Long Range & Advance Notice Deposits	548927327
	17570609	Stocks & Bonds	32770806
	10988981	Loan with drawals	1958929
	32921607	Debtors	20132612
651017324		**Regular Accounts:**	
		170183000 Approved Loans	
		1574052 Stationary Principals	
651017324			604039821

ECONOMIC DEVELOPMENT

1st December, 1975

Dirhams	Dirhams		1974
	2000000000	Authorized Capital	2000000000
580000000		Capital Paid	580000000
	76461530	General Reserves	22252507
	2560000	Other Revenues	1280000
	280162	Creditors	126712
	715632	Allocations	
995794		**Regular Accounts**	
		170183000 Approved Loans	
		1574052 Stationary Principals	
651017324			604039821

ABU DHABI FOR ARAB

Statement of Revenues and

Dirhams	Dirhams		1974
		Expenditures	
		Salaries	
3487207		Wages and Salaries and Allowances	
		General Expenditures	
	1205846	Rentals	444333
	1082074	Travels & Accomodations	462805
	69717	Water & Electricity	14420
	684691	Other Expenditures	246386
3042328			1167944
		Furniture & Transportation	
	713249	Depreciation of Furniture & Vehicles	344138
713249		**Allocations**	
	353223	Pensions and Leaves	237641
353223			
46086572		Revenues Surplus	17351326
53682579			20480065

CONOMIC DEVELOPMENT

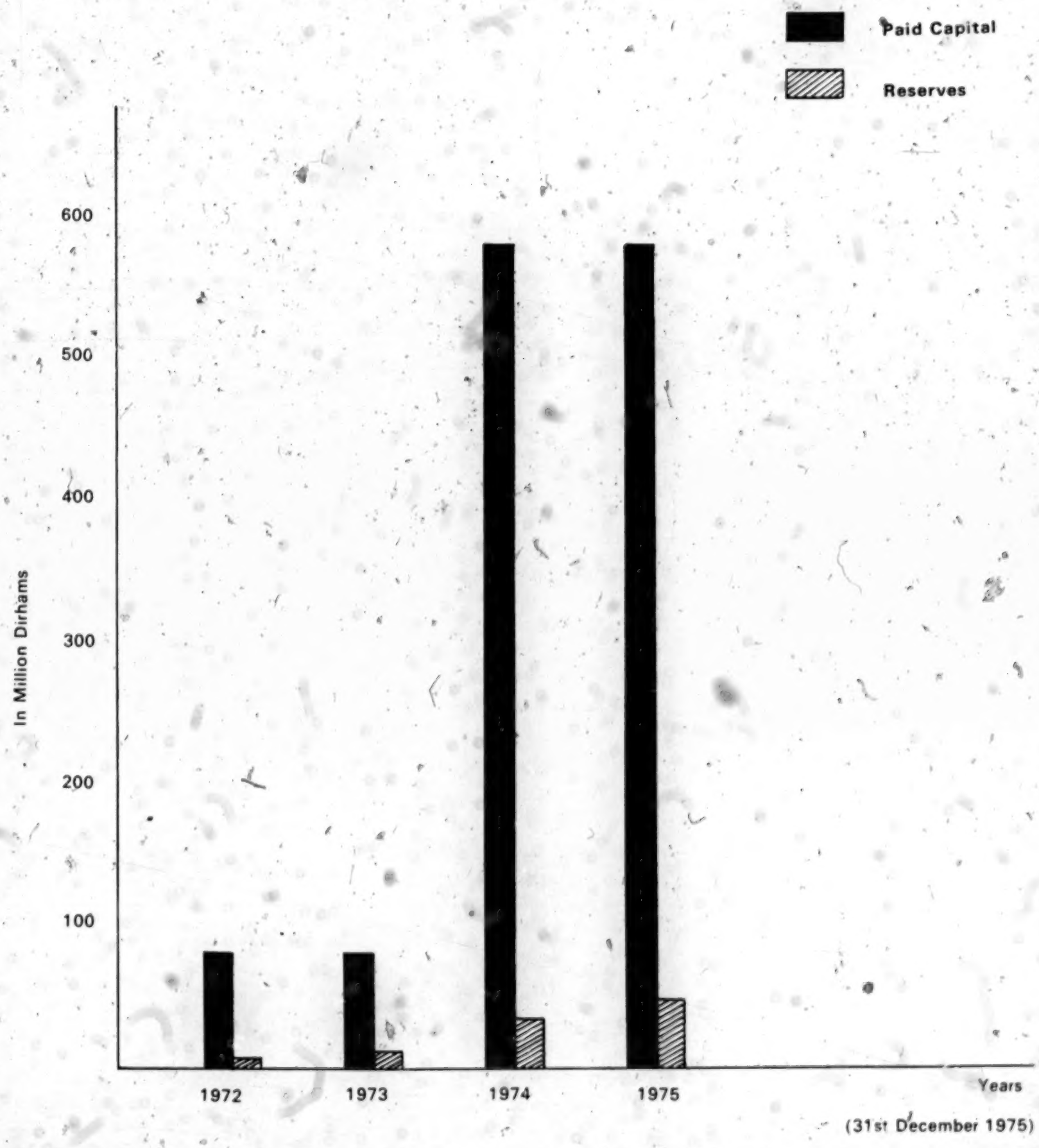
penditures for fiscal 1975

Dirhams	Dirhams		1974
		Revenues	
	52949343	Interests	20466509
	722176	Profits from bond sales	
	11060	Other Revenues	13556
53682579			
53682579			20480065

Statement of General Reserves at the end of 1975

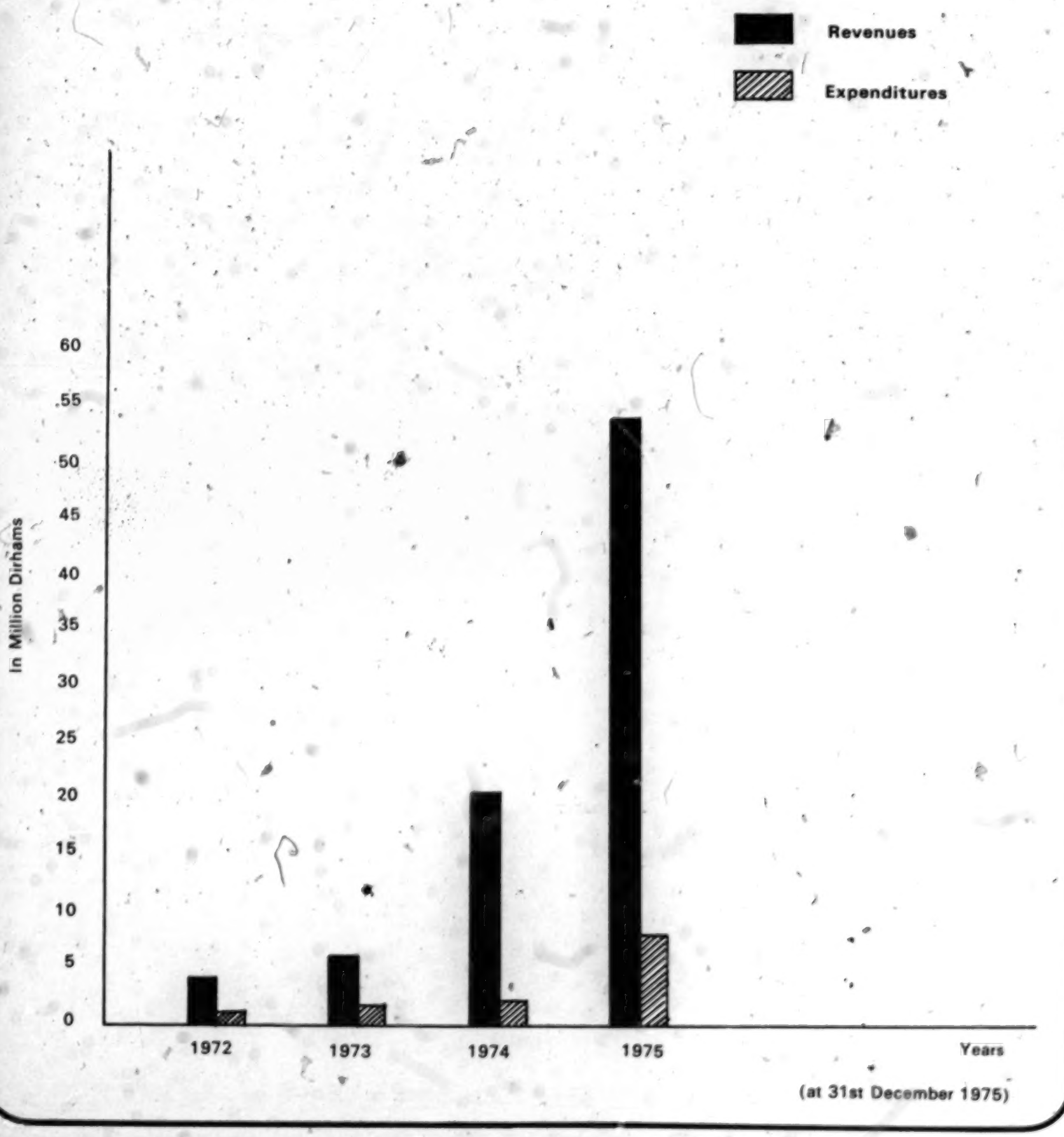
Dirhams	Dirhams	
22,252,507		Transferred Accounts from Previous Year
	46,086,572	Revenues Surplus
46,489,023	402,451	Creditors Currency exchange difference
68,741,530		
	1,080,000	Allocated for construction of Fund Headquarters
1,280,000	200,000	Remunerations to members of the Board of Directors
67,461,530		

CAPITAL AND RESERVES



(31st December 1975)

TOTAL REVENUES AND CURRENT EXPENDITURES



AUDITORS STATEMENT

We have examined the Balance Sheet of Abu Dhabi Fund for Arab Economic Development as of 31st December, 1975 and the Income – Expenditure statement for the year then ended. We have obtained the information and explanations which we considered necessary for the purpose of our audit. Our examination was conducted in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as deemed necessary in the circumstances.

In our opinion the Fund has kept proper books of accounts and the annexed Balance Sheet and the Income-Expenditure statement are in accordance therewith; they give a true and fair view of the financial position of the Abu Dhabi Fund for Arab Economic Development as of December, 31st 1975 and the net surplus of the Fund for the year then ended; in conformity with the Banks and as shown by the Banks at that sdate.

M. Soliman **Professor Y. Nawar**